

2004 MICHIGAN**SBT Allocation of Statutory Exemption, Standard Small Business Credit
and Alternate Tax for Members of Controlled Groups**

Issued under authority of P.A. 228 of 1975. See instruction booklet for filing guidelines.

1. Name	2. Federal Employer Identification Number (FEIN) or TR Number
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PART 1: MEMBER IDENTIFICATION - Include all members with activity in Michigan whether or not the member is required to file an SBT annual return.

Member Name	Date Tax Year Ends	Federal Employer ID No.	Organization Type*
3a.			
b.			
c.			

*Organization Type - Individual, Partnership/LLC Partnership, Corporation, Estate or Trust, or Limited Liability Company - Corp.

PART 2: STATUTORY EXEMPTION

Member identification from Part 1

a.	b.	c.	d. Total

4. ALLOCATED STATUTORY EXEMPTION

Enter here and on the member's C-8043, line 7

PART 3: ADJUSTED BUSINESS INCOME**Add columns a - c across. Enter total in column d.**

5. Business income from C-8000, line 11
6. Capital loss carryover or carryback from C-8000, line 21
7. Net operating loss carryover or carryback from C-8000, line 22
8. Compensation and director fees of active shareholders from C-8000KC, line 6
9. Compensation and director fees of officers from C-8000KC, line 7
10. **Adjusted business income.** Add lines 5-9. If 10d is negative, enter 0 on line 14, 100% on line 21, then continue ..
11. Gross receipts from C-8000, line 10

Figure the tax using both the alternate (Part 4) and the standard (Part 5) method. Select the one that gives the lower tax after credit for the controlled group.**PART 4: ALTERNATE TAX FOR SMALL BUSINESSES**

12. Tax After Investment Tax Credit from C-8000, line 44. If apportioned or allocated gross receipts are less than \$100,000, enter zero
13. Divide each column 12 a-c by the total in column 12d
14. Multiply line 10d by 2% (.02). If negative, enter zero
15. **ALTERNATE CREDIT:** Subtract line 14d from line 12d
- 16a. Share of credit: Multiply line 15d by percentages on line 13, columns a-c
- b. Reduced credit: Multiply line 16a by reduced credit percent from table on page 2 of Form C-8000C
17. Tax after alternate small business credit
Subtract line 16a or b, whichever applies, from line 12

%	%	%	100%

If combined gross receipts exceed \$9,000,000, complete Parts 5, 6 and 7. Otherwise, complete Parts 5 and 7 only.**Continue on page 2.**

PART 5: STANDARD SMALL BUSINESS CREDIT**Add columns a-c across. Enter total in column d.**

	a.	b.	c.	d. Total
18. Tax base from C-8000, line 32				
19. Tax base for credit. Multiply line 18d by 45%				
20. Income percentage. Divide line 10d by line 19. If negative, enter zero				%
21. Credit percentage. Subtract line 20 from 100%. If line 10d exceeds line 19, this credit cannot be taken.				%
22. Tax After Investment Tax Credit from C-8000, line 44. If apportioned or allocated gross receipts are less than \$100,000, enter zero				
23a. Standard small business credit. Multiply line 22 by line 21				
b. Reduced credit. Multiply line 23a by reduced credit percent from table on page 2 of Form C-8000C				
24. Tax after standard small business credit. Subtract line 23a or b, whichever applies, from line 22				

If combined gross receipts are greater than \$9,000,000 but not more than \$10,000,000 complete Part 6; if not, go to Part 7.**PART 6: GROSS RECEIPTS REDUCTION****Filers whose gross receipts are greater than \$9,000,000, but not more than \$10,000,000, must complete this section.**

25. Gross receipts from Part 3, line 11				
26. Excess gross receipts. Subtract \$9,000,000 from line 25d				
27. Excess percentage. Divide line 26 by \$1,000,000				%
28. Allowable percentage. Subtract line 27 from 100%				%
29. Enter the tax before credits from line 12 or 22				
30. Enter credit from line 16a or b or 23a or b, whichever applies				
31. Multiply line 30 by the percentage on line 28				
32. Subtract line 31 from line 29. Enter here and on Part 7, line 33 or 34, whichever applies				

PART 7: ALTERNATE TAX OR TAX AFTER STANDARD SMALL BUSINESS CREDIT

33. Alternate Tax. Enter the amount from line 17 or line 32, whichever applies, here and on each member's C-8000C, line 27 or C-8000, line 45				
34. Tax After Standard Small Business Credit. Enter the amount from line 24 or line 32, whichever applies, here and on each member's C-8000C, line 27 or C-8000, line 45				

Instructions for C-8009

Allocation of Statutory Exemption, Standard Small Business Credit and Alternate Tax for Members of Controlled Groups

Purpose: To supplement Form C-8000C, *SBT Credit for Small Businesses and Contribution Credits*, and Form C-8043, *SBT Statutory Exemption Schedule*, for members of controlled groups.

All controlled groups, including affiliated groups, controlled groups of corporations and entities under common control, must complete this schedule to allocate the statutory exemption and calculate the standard small business credit or alternate tax.

Controlled groups are affiliated groups of corporations as defined in the SBT Act or controlled groups of corporations as defined in the IRC, Section 1563.

An **affiliated group** is two or more corporations, one of which owns or controls, directly or indirectly, 80 percent or more of the capital stock of the other corporation(s) with voting rights.

Entities under common control are two or more trades or businesses, whether or not incorporated, under common control as defined in the IRS Regulation 1.414(c). This includes parent-subsidiary, brother-sister or combined groups of corporations. See RAB 1989-48 for further information.

An entity must be included in a controlled group if it was a member of the group for at least one half of the days of the entity's taxable year.

Exception: Groups of corporations that have received approval and are filing a consolidated SBT annual return do not need to file this schedule unless there are members of the controlled group not included in the consolidated filing.

If the group files a consolidated SBT return, compute the small business credit or alternate tax on a consolidated basis using Form C-8000C.

Controlled groups, as defined in the IRC, are not eligible for the standard small business credit or alternate tax unless the business activities of the entities are consolidated, whether or not a consolidated SBT return is filed. This means the gross receipts, adjusted business income and tax base of **all** members of the group must be combined to determine eligibility and to compute this credit.

Only members who have no activity in Michigan are excluded from this calculation.

If the combined gross receipts exceed \$10 million or the combined adjusted business income after loss adjustment exceeds \$475,000, or any one individual, partner, officer or shareholder, including corporate

shareholders, has allocated income after loss adjustment of more than \$115,000 from any one member of the group, the group is not eligible for the credit.

① **Note:** For purposes of computing the statutory exemption and the small business credit, a member of an LLC is treated as a partner if the LLC is taxed as a partnership. For purposes of computing the statutory exemption only, a member of an LLC is treated as a shareholder if the LLC is taxed as a corporation.

If claiming either the alternate credit or the standard small business credit, each member must calculate its tax before credits on Form C-8000, *SBT Annual Return*.

① **Note:** If a taxpayer is a member of an affiliated group, a controlled group of corporations or an entity under common control, the group must sum its members' apportioned or allocated gross receipts on Form C-8010AGR, *SBT Adjusted Gross Receipts for Controlled Groups*, to determine if members of the group need to file. For this purpose, do not include members whose apportioned or allocated gross receipts are less than \$100,000, as these members are not required to file an SBT return. However, members whose apportioned or allocated gross receipts are less than \$100,000 must include their business activity when figuring the small business credit on Form C-8009. For these members, report "Tax After Investment Tax Credit" on lines 12 and 22 as zero.

Attach a copy of this schedule to each member's Form C-8000 claiming a statutory exemption, standard small business credit or alternate tax.

All members must choose the same credit calculation, either standard or alternate.

Small Business Credit Eligibility

The standard small business credit and the alternate tax are **not** available to members of a controlled group if any of the following conditions exist:

- **Combined** gross receipts on line 11, column d, are over \$10 million.
- **Combined** adjusted business income on line 10, column d, minus loss adjustment, are over \$475,000.
- A member of the group is an individual (sole proprietor) or fiduciary with business income, minus loss adjustment, over \$115,000.
- A member of the group has a partner with distributive

share of business income, minus loss adjustment, (member's C-8000KP, *SBT Schedule of Partners*, column E) over \$115,000 or

- A member of the group has a shareholder or officer with allocated income, minus loss adjustment, over \$115,000. Allocated income is computed on Form C-8000KC, *SBT Schedule of Shareholders and Officers*.

A reduction to the small business credit is required if an individual, a partner in a partnership, or a shareholder or officer of a corporation has allocated income, after loss adjustment, between \$95,000 and \$115,000.

Where the allocated income, after loss adjustment, is between \$95,000 and \$115,000 for any member of a controlled group, the reduction percentage will apply to all members of the controlled group. This reduction is based on the individual/partner/officer/shareholder with the largest allocated income.

If a member of the group has a tax year less than 12 months, gross receipts, adjusted business income and share of business income must be annualized to determine eligibility and to compute the small business credit. If annualized gross receipts exceed \$9 million, but do not exceed \$10 million, complete Part 6. See page 6 for complete annualizing instructions.

Loss Adjustment. If a taxpayer is not eligible for the full small business credit or the alternate tax calculation due to an adjusted business income or allocated income disqualifier, there may be a benefit from Form 3307, *SBT Loss Adjustment Worksheet for the Small Business Credit*, on page 25. If adjusted business income was less than zero in any of the five years immediately preceding the tax year for which the taxpayer is claiming a credit and has received a small business credit for that same year, then adjust for the loss. The loss adjustment for adjusted business income purposes must be based on the group's combined numbers. However, since the disqualifiers for individual/partner/shareholder are made on an entity basis, a separate entity loss adjustment must be calculated for those purposes. A loss adjustment will not affect a reduction to the small business credit based on gross receipts that exceed \$9 million. It will also not change the amount of compensation on Form C-8000KC, Column K, for a C Corporation.

Controlled Groups That Have Members With Different Tax Years

Each member's business activities attributable to its tax year ending within the 2004 calendar year are consolidated on this form to allocate the statutory exemption and determine standard small business credit or alternate tax. **This determination cannot be made until the end of the latest tax year in the group.**

Members with earlier tax years may:

- Request an extension, or
- File the SBT returns without claiming either the statutory exemption or the small business credit.

Determine the exemption allocation and credit when the member having the latest year end completes their tax year. Other members must then amend their returns to claim any exemption or credit. The total credit cannot be allocated to the return with the latest year end.

Line-By-Line Instructions

Lines not listed are explained on the form.

Line 2, Account Number. Enter the same account number used on page 1 of the annual return.

PART 1: Member Identification.

Line 3. Enter in the appropriate column the name, year end, FEIN and organization type of each member. When completing the rest of this form, use the lower case letter (e.g., a, b, c, etc.) to the left of each name to refer to a member. If more space is needed, attach a schedule identifying additional members with consecutive letters.

PART 2: Statutory Exemption

One statutory exemption is allowed to a controlled group, affiliated group or a group of entities under common control. Allocate the exemption to members using any method agreeable to all members.

Members whose apportioned or allocated gross receipts are less than \$100,000 are not required to use any portion of the statutory exemption, but must include their business activity when figuring the small business credit.

Enter on line 4 the portion of the statutory exemption that is allocated to each member. Use the amount allocated to calculate the allowable exemption for each member on Form C-8043.

PART 3: Adjusted Business Income

Business income is adjusted by loss carryforwards and carrybacks from Form C-8000, *Single Business Tax Annual Return*, and by compensation and director fees of active shareholders and officers from Form C-8000KC.

PART 4: Alternate Tax for Small Businesses

The alternate tax computation is a simplified way of computing the SBT while still allowing a small business credit. Calculate an alternate tax credit for the group. Each member's share of alternate credit is based on the ratio of its tax liability before credits to total combined

tax liability before credits. Compute tax using both the alternate tax and the standard small business credit and file using the method that's most advantageous to the group. All members must use the same method.

Line 16b, Reduced Credit. If the allocated income after loss adjustment is more than \$95,000 but not more than \$115,000 for any member of a controlled group, multiply line 16a by the percentage from the Reduced Credit Table on page 22 and enter the result on line 16b.

Line 17, Tax After Alternate Small Business Credit. Subtract line 16a or 16b, whichever is applicable, from line 12 and enter the result on line 17.

PART 5: Standard Small Business Credit

Use this section to determine the group's standard small business credit. Calculate a combined credit percentage for the group. This percentage is then used to calculate each entity's standard small business credit.

Line 23b, Reduced Credit. If the allocated income after loss adjustment is more than \$95,000 but not more than \$115,000 for any member of the controlled group, enter the percentage from the Reduced Credit Table on page 22 and multiply line 23a by that amount. Enter the result on line 23b.

Line 24, Tax After Small Business Credit. Subtract line 23a or 23b, whichever is applicable, from line 22 and enter the result on line 24.

PART 6: Gross Receipts Reduction

Complete this section only if the combined gross receipts are more than \$9 million but not more than \$10 million. Annualize for tax periods less than 12 months.

PART 7: Alternate Tax or Tax After Standard Small Business Credit

If claiming contribution credits, enter this amount on Form C-8000C, line 27. If not, enter this amount on Form C-8000, line 45.

① **Remember:** The group must choose either the alternate tax or the standard small business credit. All members must use the same calculation.

Attach this schedule to the return.